

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1609 – HB 2045

March 12, 2018

SUMMARY OF ORIGINAL BILL: Prohibits a health or managed health insurance issuer from: (1) denying certain medical equipment providers the right to participate in similarly situated health plans and (2) denying beneficiaries the right to select such durable medical equipment (DME) providers in certain situations.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,390,800

Increase Federal Expenditures - \$2,161,800

Increase Local Expenditures – Exceeds \$45,700*

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue – Exceeds \$3,598,300

Increase Business Expenditures – Exceeds \$3,598,300

SUMMARY OF AMENDMENT (014490): Deletes all language after the enacting clause. Defines “durable medical equipment” as equipment that is primarily and customarily used to serve a medical purpose and generally is not useful to a person in the absence of illness or injury. Requires a health insurance issuer or a managed health insurance issuer that intends to enter into a single source contract for the provision of durable medical equipment, to first utilize a competitive bidding process that is open to any legal entity qualified to enter into the contract in order to obtain the lowest bid price. The proposed legislation applies to all contracts entered into or renewed on or after July 1, 2018.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

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Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the Division can accommodate the proposed legislation within existing resources without an increased appropriation or reduced reversion.
- Based on information provided by the Department of Finance and Administration, the Division of Benefits Administration can accommodate the proposed legislation utilizing existing resources without an increased appropriation or reduced reversion.
- The Department of Commerce and Insurance (DCI), the Insurance Division, can accommodate the investigation into complaints against any commercial health insurance issuers within existing resources without an increased appropriation or reduced reversion.
- The DCI's TennCare Oversight Division can investigate any complaints regarding the TennCare managed care organizations (MCOs) within existing resources without an increased appropriation or reduced reversion.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

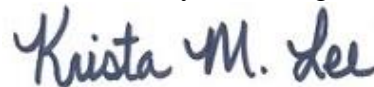
Other Commerce Impact – Due to multiple unknown variables, an exact impact to commerce cannot be determined with reasonable certainty. However, any increase in business revenue is anticipated to exceed any increase in business expenditures.

Assumption for the bill as amended:

- Durable medical equipment providers may experience an increase in business expenditures being required to go through a competitive bid process.
- An exact impact to commerce cannot be determined due to a number of unknown factors but the increase in business revenue is reasonably estimated to exceed the increased business expenditures resulting from the proposed legislation in order for companies to retain solvency.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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